

(ii) Y's threshold underpayment of FUTA tax for 1992 is \$150,000. Because Y was a C corporation in 1992 and the threshold underpayment of FUTA tax for 1992 exceeds \$100,000, Y has a large corporate underpayment of FUTA tax. However, Y's threshold underpayment of income tax for the same taxable period (*i.e.*, calendar 1992) is \$15,000, so that Y does not have a large corporate underpayment of income tax for that year.

(iii) Because Y pays within 30 days the amount shown as due on the August 1, 1993, assessment notice, there is no applicable date with respect to the large corporate underpayment of FUTA tax for 1992.

(iv) All of the interest payable with respect to the 1992 underpayments of FUTA and income taxes is computed at the section 6621(a)(2) rate.

(v) If Y had not paid the amount shown as due on the August 1, 1993, FUTA tax assessment notice within 30 days, the applicable date would have been August 31, 1993, (the 30th day after the assessment notice is sent). Thus, interest would have been computed at the section 6621(c) rate after that date, even though Y is not at that time a C corporation.

(vi) If the amended 1992 income tax return Y files on January 1, 1995, had shown \$115,000 of tax due instead of \$15,000, Y's threshold underpayment of income tax for 1992 would have been \$115,000. Because Y was a C corporation in 1992 and the threshold underpayment of income tax for that year would have exceeded \$100,000, Y would have a large corporate underpayment of income tax for that year. However, because Y would have paid the amount shown as due in the February 10, 1995, assessment notice within 30 days of when that assessment notice was sent, there would have been no applicable date with respect to that large corporate underpayment and the section 6621(c) rate would have not applied.

*Example 6.* (i) On August 1, 1990, the Service sent to Z, a C corporation, an assessment notice for \$200,000 of income tax, plus \$30,000 in interest and penalties, with respect to calendar year 1988. Subsequent assessment notices were sent to Z on September 12, 1990, October 10, 1990, and November 14, 1990, each including additional interest. The November 14, 1990, assessment notice provided that the total amount of tax, interest and penalties due was \$242,000. On December 31, 1990, Z pays \$230,000. On February 13, 1991, the Service sends Z an assessment notice for the remaining balance (plus additional interest thereon). On December 31, 1991, Z pays all amounts owed as of that date in connection with its 1988 income tax liability.

(ii) Z's threshold underpayment of income tax for 1988 is \$200,000. Because Z is a C corporation and its threshold underpayment of income tax for 1988 exceeds \$100,000, Z has a large corporate underpayment for 1988 to

which the section 6621(c) rate applies for periods after the applicable date.

(iii) Notwithstanding Z's payment of \$230,000 on December 31, 1990, the applicable date with respect to the large corporate underpayment of 1988 income tax is August 31, 1990, the 30th day after the date on which the Service sent the first assessment notice.

(iv) From March 16, 1989, to December 31, 1990, interest is computed on Z's underpayment of income tax (including any interest, penalties, additional amounts and additions to tax) at the section 6621(a)(2) rate. From January 1, 1991, through December 31, 1991, interest is computed on that underpayment at the section 6621(c) rate.

(v) If Z had paid on or before January 31, 1991, the full \$242,000 shown as due on the November 14, 1990, assessment notice, the applicable date with respect to any remaining unpaid interest would have been March 15, 1991, the 30th day after the Service sent the February 13, 1991, assessment notice.

(vi) The same result as in paragraph (v) of this *Example 6* would apply if the November 14, 1990, assessment notice had provided that only \$150,000 was due with respect to calendar year 1988 (as a result of a correction by the Service of an error in its original August 1, 1990, assessment, and not as a result of any payment by Z), and if Z had paid that \$150,000 on or before January 31, 1991.

(e) *Effective date.* Section 6621(c) and this section are effective for determining interest for periods after December 31, 1990, regardless of the taxable period to which the underlying tax may relate and even if the applicable date is prior to December 31, 1990.

[T.D. 8447, 57 FR 53554, Nov. 12, 1992; 57 FR 60846, Dec. 22, 1992]

**§ 301.6622-1 Interest compounded daily.**

(a) *General rule.* Effective for interest accruing after December 31, 1982, in computing the amount of any interest required to be paid under the Internal Revenue Code of 1954 or sections 1961(c)(1) or 2411 of title 28, United States Code, by the Commissioner or by the taxpayer, or in computing any other amount determined by reference to such amount of interest, or by reference to the interest rate established under section 6621, such interest or such other amount shall be compounded daily by dividing such rate of interest by 365 (366 in a leap year) and compounding such daily interest rate each day.

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(b) *Exception.* Paragraph (a) of this section shall not apply for purposes of determining the amount of any addition to tax under sections 6654 or 6655 (relating to failure to pay estimated income tax).

(c) *Applicability to unpaid amounts on December 31, 1982—*(1) *In general.* The unpaid interest (or other amount) that shall be compounded daily includes the interest (or other amount) accrued but unpaid on December 31, 1982.

(2) *Illustration.* The provisions of this (c) may be illustrated by the following example.

*Example.* Individual A files a tax return for calendar year 1981 on April 15, 1982, showing a tax due of \$10,000. A pays \$10,000 on December 31, 1982, but A does not pay any interest with respect to this underpayment until March 1, 1983, on which date A paid all amounts of interest with respect to the \$10,000 underpayment of tax. On December 31, 1982, A's unsatisfied interest liability was \$1,424.66 ( $\$10,000 \times 20 \text{ percent} \times 260/365 \text{ days}$ ). Interest, compounded daily, accrues on this unsatisfied interest obligation beginning on January 1, 1983, until March 1, 1983, the date the total interest obligation is satisfied. On March 1, 1983, the total interest obligation is \$1,462.62, computed as follows:

Item	Amount
Unpaid tax at December 31, 1982 .....	0
Unpaid interest at December 31, 1982 .....	\$1,424.66
Total unsatisfied obligation at December 31, 1982 .....	1,424.66
Interest from December 31, 1982, to March 1, 1983, at 16 percent per year compounded daily .....	37.96
Total due, March 1, 1983 .....	1,462.62

[T.D. 7907, 48 FR 38231, Aug. 23, 1983]

## Additions to the Tax, Additional Amounts, and Assessable Penalties

### ADDITIONS TO THE TAX AND ADDITIONAL AMOUNTS

#### § 301.6651-1 Failure to file tax return or to pay tax.

(a) *Addition to the tax—*(1) *Failure to file tax return.* In case of failure to file a return required under authority of—

(i) Subchapter A, chapter 61 of the Code, relating to returns and records (other than sections 6015 and 6016, relating to declarations of estimated tax,

and part III thereof, relating to information returns);

(ii) Subchapter A, chapter 51 of the Code, relating to distilled spirits, wines, and beer;

(iii) Subchapter A, chapter 52 of the Code, relating to cigars, cigarettes, and cigarette papers and tubes; or

(iv) Subchapter A, chapter 53 of the Code, relating to machine guns, destructive devices, and certain other firearms; and

The regulations thereunder, on or before the date prescribed for filing (determined with regard to any extension of time for such filing), there shall be added to the tax required to be shown on the return the amount specified below unless the failure to file the return within the prescribed time is shown to the satisfaction of the district director or the director of the service center to be due to reasonable cause and not to willful neglect. The amount to be added to the tax is 5 percent thereof if the failure is for not more than 1 month, with an additional 5 percent for each additional month or fraction thereof during which the failure continues, but not to exceed 25 percent in the aggregate. The amount of any addition under this subparagraph shall be reduced by the amount of the addition under subparagraph (2) of this paragraph for any month to which an addition to tax applies under both subparagraphs (1) and (2) of this paragraph (a).

(2) *Failure to pay tax shown on return.* In case of failure to pay the amount shown as tax on any return (required to be filed after December 31, 1969, without regard to any extension of time for filing thereof) specified in subparagraph (1) of this paragraph (a), on or before the date prescribed for payment of such tax (determined with regard to any extension of time for payment), there shall be added to the tax shown on the return the amount specified below unless the failure to pay the tax within the prescribed time is shown to the satisfaction of the district director, or, as provided in paragraph (a) of this section, the Assistant Regional Commissioner (Alcohol, Tobacco and Firearms), the director of the service center, to be due to reasonable cause and